

3673 La Terraza Drive
Sierra Vista, AZ 85650

June 26, 2014

Dear Commissioner _____ ,

The Arizona Water Company (AWC), like Rosemont Copper, Phelps Dodge and ASARCO Inc., are all extraction industries. All of us can live for months on end without copper, silver, and gold - but not so for water. Water is a daily requirement for Arizonans in a state with a statewide water shortage during a period of prolonged drought.

As a former businessperson with decades in government and the private sector, the ACC's recent AWC rate case approval, to include the new, additional rate-hike mechanism, SIB, is most interesting. The two approved accounting mechanisms I find overlapping (ROI of 10.55% on equity coupled with the SIB fee mechanism) yet refreshing in the sense the Commission may finally be getting serious about water issues and the regulated water companies.

That said, the Commission overruled an administrative law judge. The Commission has split votes twice regarding the AWC rate case. RUCO has appealed. As an elected commission of 5 members, you may be getting more notoriety and publicity than you may want. Especially as voters all who use water feel the pinch in their wallets.

Rate increase proposals by regulated utilities, water or energy, are long, expensive and tedious processes as they work their way through ACC staff, legal, hearings and finally to Commissioners for votes. Even then, consistency of rate increases is far certain. Casual examinations of the current rate approvals (base rates and marginal water rates for the four major water companies serving the Sierra Vista area) reveal a lack of consistency of ACC approvals! Such inconsistencies serve no one – not the water companies, their customer bases, nor the communities they serve let alone the state of Arizona.

I would urge the Commission to obtain, study and consider this document: ***Declining Water Sales and Utility Revenues: A Framework for Understanding and Adapting*** published in 2012 by the Alliance for Water Efficiency. Considering a water pricing model which mitigates uncertainty for water companies, by separating the fixed and maintenance infrastructure costs long term from the periodic water usage rates, would be in everyone's interest. I urge you to consider the reference and the benefits it offers.

Best regards,

David Grieshop